



County of Los Angeles CHIEF EXECUTIVE OFFICE

Kenneth Hahn Hall of Administration
500 West Temple Street, Room 713, Los Angeles, California 90012
(213) 974-1101
<http://ceo.lacounty.gov>

WILLIAM T FUJIOKA
Chief Executive Officer

July 7, 2008

To: Supervisor Yvonne B. Burke, Chair
Supervisor Gloria Molina
Supervisor Zev Yaroslavsky
Supervisor Don Knabe
Supervisor Michael D. Antonovich

From: William T Fujioka
Chief Executive Officer

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Third District

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Fifth District

SACRAMENTO UPDATE

This memo provides an update on State Budget Conference Committee actions and the status of a number of County advocacy bills.

State Budget Conference Committee Actions

The Conference Committee met on Thursday, July 3, 2008, its first meeting since June 27, 2008. The Committee took action on the following items of interest to the County.

Medi-Cal Fee-For-Service (FFS) Provider Rate Reduction. As part of the mid-year State Budget reductions on February 15, 2008, the Legislature approved and the Governor signed into law a 10 percent rate cut for all Medi-Cal FFS providers which became effective July 1, 2008. The Conference Committee voted 4 to 2 to restore nearly all of the 10 percent Medi-Cal provider rate reductions, effective September 1, 2008. According to the Conference Committee Chair, Senator Ducheny, this action was necessary to stop the lawsuits against the State. A large coalition of health care providers including the California Hospital Association, the California Association of Public Hospitals, and the California Medical Association among others, is suing the State over the 10 percent cut to Medi-Cal rates. We will be working with the Department of Health Services (DHS) in determining the impact of this item.

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Medi-Cal Managed Care Rate Reduction. The Conference Committee also voted 4 to 2 to restore less than five percent of the 10 percent reduction for Medi-Cal Managed Care rates paid to health plans. The proposed partial rate restoration also will be effective September 1, 2008. We also will be working with DHS in determining the impact of this item.

Medi-Cal Administration – Cost of Doing Business. The Conference Committee voted 4 to 2 to approve the Governor's proposal to eliminate the cost-of-doing business adjustment for eligibility workers, administrative and support staff. This action will result in an estimated County loss of \$20 million. The Conference Committee also approved Budget trailer bill language to indemnify counties if they fail to meet the Medi-Cal performance standards as a result of this funding reduction.

Delay of Deferred Mandate Payments. The Conference Committee voted 5 to 1 to approve the Governor's proposal to delay the third annual installment of deferred claims for mandated costs incurred by counties prior to FY 2003-04. These mandate payments must be fully repaid by FY 2020-21. This action will defer the payment of \$75 million Statewide of which the County will not receive an estimated \$14 million in FY 2008-09.

Mentally-Ill Offender Crime Reduction Grants (MIOCR). The Conference Committee voted 4 to 2 to eliminate all funding for the MIOCR Program indicating that services provided under this program are eligible for Mental Health Services Act (Proposition 63) funding. The impact of this proposal is unknown because MIOCR grants are awarded on a competitive basis; however, the County received an estimated \$3.4 million in FY 2007-08. It is important to note that contrary to the Conference Committee belief that Proposition 63 funding may be used to continue these services, this action could be considered a violation of the maintenance-of-effort requirement established by Proposition 63.

California State Library. The Conference Committee voted 4 to 2 to reduce funding by \$1,725,000 for various State Library programs including the transaction-based reimbursement program and the Public Library Foundation Program. The estimated adverse impact to the County is \$95,000.

Special Fund Loans. The Conference Committee adopted the majority of the Governor's May Revision recommendations to borrow an estimated \$564 million from a variety of special funds which would be repaid over the next few fiscal years. Prior to taking action on each of the special fund loans, Senator Ducheny confirmed with representatives of the Department of Finance and the Legislative Analyst's Office that each fund would be able to sustain the proposed loans and still finance its requirements.

Open Conference Items. The following items of interest to the County remain open:

- **Medi-Cal Administration - Caseload Funding.** The County supports the Senate proposal to reject the Governor's proposal to eliminate funding for new caseload growth.
- **In-Home Supportive Services Administration.** The County supports the Senate proposal to reject the Governor's proposal for a 10 percent reduction.
- **Food Stamp Program Administration.** The County supports the Senate's proposal to reject the Governor's proposal to reduce administrative funding by four percent.
- **Juvenile Probation Camp Funding.** The County opposes the Senate proposal to eliminate all funding for this program and the Assembly proposal to reduce funding by 10 percent.
- **Juvenile Justice Crime Prevention Act.** The County opposes the Senate proposal to eliminate all funding for this program and the Assembly proposal to reduce funding by 10 percent.
- **Citizen's Option for Public Safety Program.** The County opposes the Senate proposal to eliminate all funding for this program and the Assembly proposal to reduce funding by 10 percent.

The Conference Committee is scheduled to meet tonight, and according to various reports, Senator Ducheny hopes to conclude its work this week.

Status of County Advocacy Legislation

County-supported AB 97 (Mendoza), as amended on May 8, 2008, which would require every food facility, except a public school cafeteria, to maintain on their premises the labeling information for any food or additive that includes any fat, oil, or shortening, passed the Senate on July 2, 2008 by a vote of 22 to 16 and now proceeds to the Assembly for concurrence in Senate amendments.

County-supported AB 2762 (Eng), as amended on June 18, 2008, which would expand the reporting and response requirements in cases of school-based incidents of harassment, discrimination, or terrorist threats, was placed on the Senate Appropriations Committee's Suspense File on July 7, 2008.

County-supported SB 1132 (Migden), as amended on April 9, 2008, which would eliminate the requirement that former foster youth between 18 and 21 years of age

complete an application as a condition of receiving ongoing Medi-Cal benefits, was placed on the Assembly Appropriations Committee's Suspense File on July 2, 2008.

County-supported SB 1236 (Padilla), which extends the January 1, 2009 sunset date for counties to levy an additional \$2 penalty assessment for pediatric trauma centers and emergency services for five years, was signed by the Governor on July 3, 2008.

County-supported SB 1349 (Cox), as amended on June 26, 2008, which would require the State Controller's Office to reimburse county contractors or subcontractors for mental health services within 90 days after the receipt of a reimbursement claim by the California Department of Mental Health effective July 1, 2009, was placed on the Assembly Appropriations Committee's Suspense File on July 2, 2008.

County-supported SB 1420 (Padilla), as amended on June 26, 2008, which would require all chain restaurants in the State with 15 or more outlets to provide nutritional information on their menus, was placed on the Assembly Appropriations Committee's Suspense File on July 2, 2008.

We will continue to keep you advised.

WTF:GKMAL
MR:DS:lm

c: All Department Heads
Legislative Strategist
Local 721
Coalition of County Unions
California Contract Cities Association
Independent Cities Association
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City Managers Associations